



U.S. House of Representatives
Committee on Transportation and Infrastructure

James L. Oberstar
Chairman

Washington, DC 20515

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Ranking Republican Member

April 2, 2009

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The Honorable Ray LaHood
Secretary of Transportation
United States Department of Transportation
1200 New Jersey Avenue, SE
Washington, D.C. 20590

Dear Secretary LaHood:

I am writing to you concerning questions that have arisen regarding the citizenship of Virgin America, Inc. and, in particular, the report in the March 10, 2009, *Wall Street Journal* that the U.S. private equity funds that own the majority of Virgin America's voting stock have transferred all financial interest in their shares to the British-based Virgin Group.

Virgin America was founded by Sir Richard Branson's Virgin Group, which holds 25 percent of Virgin America's voting stock. To meet U.S. citizenship requirements, the Virgin Group brought two hedge funds (Black Canyon Air Partners LLC and Cyrus New Joint Structure I and II) in as shareholders. Black Canyon and Cyrus each owned over 47 percent of a third company that held 75 percent of Virgin America's voting stock. The *Wall Street Journal* reported that the two U.S. private equity funds had exercised their right to sell these shares back to the Virgin Group. This and other reports suggest that the equity funds have received an agreed-upon price for their shares, but that they continue to hold title to the shares, until the Virgin Group finds an American investor to acquire the shares. This suggests that the equity funds will not realize any further financial gain or loss from the shares held in their name.

If these reports are accurate, it calls into question whether Virgin America continues to meet the requirements for holding a certificate as a U.S. air carrier. If the equity funds have no further stake in the success of the company, there is a serious question as to whether their continued title to the shares is sufficient grounds for them to be considered as the owner of the stock, for purpose of the statutory requirement that a U.S. carrier must have 75 percent of its voting stock owned or controlled by persons that are citizens of the United States. If the Virgin Group has all of the financial interest in the stock, it would seem to be the owner for purposes of the citizenship requirement.

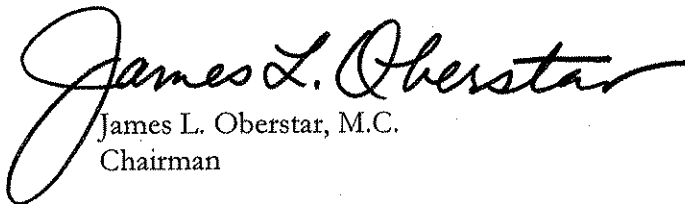
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Several groups, including Alaska Airlines, have asked the Department of Transportation ("Department") to hold a public inquiry to examine whether Virgin America can still be considered a U.S. citizen. I find it significant that in its answers opposing these petitions, Virgin America does not deny that there has been a sale or other transfer of financial interest in the stock. If Virgin had been able to make this denial, it presumably would have done so, since this would be a strong, if not irrefutable, argument for denial of the requests for an investigation.

The Department should undertake a comprehensive review of the accuracy of the reports that the U.S. private equity funds have sold or otherwise disposed of all financial interest in their shares in Virgin America. If the Department finds that the equity funds have disposed of their financial interest, then I strongly urge the Department to conduct a public proceeding to examine the question of Virgin America's citizenship.

With all best wishes.

Sincerely,

A handwritten signature in black ink, reading "James L. Oberstar". The signature is fluid and cursive, with a large, sweeping initial "J".

James L. Oberstar, M.C.
Chairman